
May 2011

BUDGET ISSUES

Better Fee Design
Would Improve
Federal Protective
Service's and Federal
Agencies' Planning
and Budgeting for
Security





Highlights of GAO-11-492, a report to congressional committees

Why GAO Did This Study

The Federal Protective Service (FPS) is a fee-funded agency in the Department of Homeland Security (DHS) responsible for providing physical security to over 9,000 federal facilities. In 2003 FPS transferred to DHS from the General Services Administration and for the first time was to fully recover its costs. GAO recently reported that stakeholders were concerned about FPS's ability to determine security costs, and the strategies used to address funding challenges had adverse effects on FPS. In this context, Congress directed GAO to evaluate FPS's resource levels. This report (1) analyzes FPS's fee design and proposed alternatives, and (2) examines how FPS's security fees challenge FPS and customer agency budget formulation and execution. GAO reviewed legislation and agency documentation and interviewed FPS and customer agency officials in headquarters and four FPS regions.

What GAO Recommends

GAO recommends that the Secretary of Homeland Security direct the Director of FPS to, among other things, conduct and make available regular fee reviews to improve its fee design, include capital investment costs in its rates, and evaluate its current and alternative funding and budget account structures to mitigate budget timing and other issues. DHS concurred with GAO's recommendations.

View GAO-11-492 or key components. For more information, contact Susan J. Irving at (202) 512-6806 or irvings@gao.gov.

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Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security

What GAO Found

FPS increased its basic security fee four times in 6 years to try to cover costs (an increase of over 100 percent). FPS has not reviewed its fees to develop an informed, deliberate fee design. GAO has found that timely, substantive fee reviews are especially critical for fee-funded agencies to ensure that fee collections and operating costs remain aligned. FPS is legally required to charge fees that cover its total costs, but it is not required to align specific fees with specific activities. Nevertheless, in its pricing documents FPS describes an alignment between specific fees and specific activities that does not exist.

FPS charges a basic security fee based on facility square footage. In addition, FPS charges facilities that have contractor-provided countermeasures, such as guards, the cost of the countermeasure plus an administrative fee that is a percentage of the countermeasure cost. Federal facilities vary in how much they cost to protect, but FPS does not know to what extent some facilities currently subsidize others. This contributes to expectation gaps with and unknown cross-subsidizations among payers. FPS officials said that basic security costs are meant to be "shared evenly" (i.e., based on square footage) among all payers while administrative fees for FPS-recommended or facility-requested countermeasures are meant to both (1) reflect the increased risk inherent to those facilities requiring or requesting additional countermeasures and (2) subsidize the aggregate cost of basic security services. Charging beneficiaries more or less than actual costs may help achieve policy goals, but FPS lacks data to determine whether this occurs as intended. Modifying the current fee structure or funding FPS through a combination of fees and direct appropriations may address equity and cross-subsidization issues and improve transparency to customers, but without detailed activity cost information and a full fee review the relative trade-offs in any particular proposal are unclear. Further, revising the fee structure alone will not address the variations in service levels reported by FPS's customer agencies or the overall level of services FPS is able to provide.

The design and implementation of FPS's fees affect agencies' and FPS's ability to budget for and timely implement security measures in multiple ways. First, FPS lacks a method to propose security fee rates prior to submitting its budget request and cannot finalize its rates each year until it receives congressional instructions about its staffing levels in its appropriation act. As a result, agencies annually request security funding without accurate security cost estimates. Second, FPS makes security recommendations to customer agencies based on current threats, but agencies budget for security costs in advance and therefore must reallocate funds to pay for countermeasures for which they had not planned. Although there are no obvious solutions for these and other budget timing disconnects, alternative budget account structures like a reimbursable account or a revolving fund could help mitigate budgeting and timing challenges for FPS and customer agencies without compromising accountability for federal funds.

Contents

Letter		1
Background		3
Lack of Informed Fee Design Contributes to Expectation Gaps with Stakeholders and Unknown Cross-Subsidizations Among Payers		8
Poor Communication with Customer Agencies About the Fees and a Lack of Timely Fee Rate Information Leads to Billing and Budgeting Challenges for Both FPS and Customer Agencies		22
Conclusions		31
Recommendations for Executive Action		32
Agency Comments & Our Evaluation		33
Appendix I	Objectives, Scope, and Methodology	35
Appendix II	Comments from the Department of Homeland Security	36
Appendix III	GAO Contact and Staff Acknowledgments	40
Related GAO Products		41
Tables		
Table 1: FPS Fee Collection Shortages and Mitigating Measures, Fiscal Years 2003-2007		10
Table 2: FPS's Security Fee Rates, Fiscal Years 2004 to 2012		11
Table 3: Activities FPS Associates with the Basic Security, Building-Specific, and SWA Security Fees		12
Table 4: Annual Percent Change in FPS Basic Security Fee Rate		28
Figure		
Figure 1: Flow of Funding for FPS Security Fees (Dollars in Millions)		6

Abbreviations

ABC	Activity based costing
CBP	U.S. Customs and Border Protection
CDC	Centers for Disease Control and Prevention
CFO	Chief financial officer
DHS	Department of Homeland Security
FBF	Federal Building Fund
FEMA	Federal Emergency Management Agency
FPS	Federal Protective Service
FSL	Facility security level
FTE	Full-time equivalent
GSA	General Services Administration
HHS	U.S. Department of Health and Human Services
ICE	Immigration and Customs Enforcement
IOAA	Independent Offices Appropriation Act of 1952
IRS	Internal Revenue Service
ISC	Interagency Security Committee
NCR	National Capital Region
NPPD	National Protection and Programs Directorate
OMB	Office of Management and Budget
RAMP	Risk Assessment and Program Management
SSA	Social Security Administration
SWA	Security Work Authorization

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**United States Government Accountability Office
Washington, DC 20548**

May 20, 2011

The Honorable Mary Landrieu
Chairman
The Honorable Dan Coats
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
United States Senate

The Honorable Robert Aderholt
Chairman
The Honorable David Price
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
House of Representatives

The Federal Protective Service (FPS) within the Department of Homeland Security (DHS) is responsible for providing physical security and law enforcement services to over 9,000 federal facilities.¹ FPS is meant to be fully funded by the security fees it collects from the agencies it protects.² We have previously reported on a number of funding-related challenges FPS faces.³ For example, in 2008 we found that FPS's fee collections were

¹ 6 U.S.C. § 203; 40 USC § 1315.

² Department of Homeland Security Appropriations Act, 2007, Pub. L. No. 109-295, title II, 120 Stat. 1355, 1361 (Oct. 4, 2006).

³ See GAO, *Homeland Security: Addressing Weaknesses with Facility Security Committees Would Enhance Protection of Federal Facilities*, GAO-10-901 (Washington, D.C.: Aug. 5, 2010); *Homeland Security: Preliminary Observations on the Federal Protective Service's Workforce Analysis and Planning Efforts*, GAO-10-802R (Washington, D.C.: June 14, 2010); *Homeland Security: Federal Protective Service's Contract Guard Program Requires More Oversight and Reassessment of Use of Contract Guards*, GAO-10-341 (Washington, D.C.: Apr. 13, 2010); *Homeland Security: Greater Attention to Key Practices Would Improve the Federal Protective Service's Approach to Facility Protection*, GAO-10-142 (Washington, D.C.: Oct. 23, 2009); *Homeland Security: Federal Protective Service Should Improve Human Capital Planning and Better Communicate with Tenants*, GAO-09-749 (Washington, D.C.: July 30, 2009); *Homeland Security: The Federal Protective Service Faces Several Challenges That Hamper Its Ability to Protect Federal Facilities*, GAO-08-683 (Washington, D.C.: June 11, 2008); *Homeland Security: Transformation Strategy Needed to Address Challenges Facing the Federal Protective Service*, GAO-04-537 (Washington, D.C.: July 14, 2004).

insufficient to cover its operational costs, that stakeholders had concerns about FPS's ability to determine the costs of providing security services, and that FPS's actions to address budgetary challenges had adverse effects on the agency.⁴ More recently, we found that FPS had not explained how it intended to fund the increase in full-time equivalents (FTEs) called for in its workforce analysis plan.⁵ FPS agreed with our findings and recommendations, but generally has not yet implemented actions to address them.⁶

In response to Congress's mandate in the House Report which accompanied the DHS fiscal year 2009 Appropriations Act⁷ requiring GAO to evaluate FPS's resource levels, this report (1) analyzes FPS's current fee design and proposed alternatives, and (2) examines how FPS's security fees challenge FPS and customer agency budget formulation and execution.

To meet our objectives we reviewed relevant legislation, regulation, guidance, agency documents, and prior reports on user fee design and implementation characteristics. We also interviewed officials responsible for managing user fees at FPS, the General Services Administration (GSA), and selected customer agencies at their headquarters and in several regions. We selected four customer agencies with a large representation in GSA's facility inventory (measured by total rental square footage and total annual rent) and based on prior GAO work on FPS. We selected the regional locations based on (1) region size (number of FPS-protected buildings), (2) geographic diversity, and (3) stakeholder input on successes and challenges faced by regional management. Within the selected regions, we interviewed FPS officials and customer agency officials who work with FPS security fees. Specifically, we interviewed officials from the Department of Health and Human Services (HHS), Internal Revenue Service (IRS), Social Security Administration (SSA), and the Department of Homeland Security (DHS) in the National Capital Region (Washington, D.C.), Southeast Region (Atlanta, Ga.), Rocky

⁴ GAO-08-683.

⁵ GAO-10-802R.

⁶ As appropriate, we discuss particular recommendations and any steps taken to address them throughout our report.

⁷ H.R. No. 110-862, at 59 (2008).

Mountain Region (Denver, Colo.), and Northwest/Arctic Region (Federal Way/Seattle, Wash.).

Appendix I provides additional details about our scope and methodology. We conducted this performance audit from May 2009 through April 2011 in accordance with generally accepted government auditing standards.⁸ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

FPS's Mission

FPS's mission is protect the buildings, grounds, and property that are under the control and custody of the GSA, as well as the persons on the property; to enforce federal laws and regulations; and to investigate offenses against these buildings and persons.⁹ FPS conducts its mission by providing security services through two types of activities: (1) physical security activities—conducting facility risk assessments and recommending countermeasures aimed at preventing incidents at facilities—and (2) law enforcement activities—patrolling facilities, responding to incidents, conducting criminal investigations, and exercising arrest authority.

In 2007, FPS adopted an inspector-based workforce approach to protecting GSA facilities. Under this approach, FPS eliminated the police officer position and uses about 752 inspectors and special agents to oversee its 15,000 contract guards, provide law enforcement services, conduct building security assessments, and perform other duties as assigned. According to FPS, its 15,000 contract guards are used primarily to monitor facilities through fixed post assignments and access control.

⁸ During this time we discussed information related to FPS's fiscal year 2010 and 2011 budgets with the committee. We also suspended work on this engagement for 6 months, as agreed with you, due to competing priorities.

⁹ 40 U.S.C. § 1315(a) & (b).

FPS's facility security assessments and the corresponding recommended security countermeasures, such as contract security guards, security cameras, bollards, or magnometers, are based on standards set by the Interagency Security Committee (ISC). The ISC is composed of 49 federal departments and agencies and is responsible for developing and evaluating security standards for federal facilities in the United States.¹⁰ The foundation of the ISC standards is the facility security level (FSL) determination. FSL determinations, which range from level I (the lowest) to level V (the highest) are based on criteria including facility size and population, mission criticality, symbolism, and threat to customer agencies.

FPS's History and Funding

FPS was created in 1971 and was part of the GSA until 2003, when the Homeland Security Act of 2002¹¹ transferred it to DHS's Immigration and Customs Enforcement (ICE) component.¹² In October 2009 FPS was transferred within DHS from ICE to the National Protection and Programs Directorate (NPPD).¹³ During the period it was within GSA, FPS was under the umbrella of the Federal Building Fund (FBF), an intragovernmental revolving fund that is part of GSA's Public Building Service, and received administrative support services from GSA. During this period, GSA did not know how much it was charging for facility security and, therefore, how much of the facility security costs it was recovering. GSA officials said the security costs were funded by an unknown portion of the facility's appraised rental rate plus an additional charge of approximately \$0.06 per square foot.¹⁴ GSA officials said this means there is no way to know whether, and, if so, how much, the security costs were subsidized by other revenue in the FBF. When FPS transferred to DHS, no portion of GSA's

¹⁰ Exec. Order No. 12977, Interagency Security Committee, 60 Fed. Reg. 54411 (Oct. 24, 1995), as amended by Exec. Order No. 13286, Amendment of Executive Orders, and Other Actions, in Connection with the Transfer of Certain Functions to the Secretary of Homeland Security, 68 Fed. Reg. 10619 (Mar. 5, 2003).

¹¹ Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (Nov. 25, 2002).

¹² As outlined in a 2006 memorandum of agreement between the two agencies, both FPS and GSA have a continued role in physical security. In general, GSA is responsible for security fixtures—or measures that are part of a building—while FPS is responsible for law enforcement, security assessments, and non-fixture countermeasures.

¹³ Department of Homeland Security Appropriations Act of 2010, Pub. L. No. 111-83, 123 Stat. 2142, 2156 (Oct. 28, 2009).

¹⁴ This amount was raised slightly each of the 2 years before FPS transferred from GSA.

rental rate was transferred with FPS. FPS's fees did not recover its costs during the transition years from GSA to DHS.

FPS is authorized to charge customer agencies fees for security services and to use those collections for all agency operations.¹⁵ All of FPS's security fees are available to FPS, without fiscal year limitation, for necessary expenses related to the protection of federally owned and leased buildings for FPS operations.¹⁶ Currently FPS is a fully fee-funded organization. Customer agencies use their appropriated funds to pay FPS security fees, which are credited to FPS as offsetting collections.¹⁷ These fees are used for FPS's expenses in providing security services and for overhead costs and capital investments. Rather than receiving a direct appropriation each year, FPS receives authority through the appropriation process to obligate and spend its collected fees. Since 2007 FPS has had authority to use all of its collections for necessary expenses.¹⁸

As we will discuss in more detail, FPS charges federal agencies three fees: (1) a basic security fee, (2) the building-specific administrative fee, and (3) the security work authorization (SWA) administrative fee. All customer agencies in GSA-controlled properties pay a basic security fee. Customer agencies in facilities for which FPS recommends specific countermeasures pay the building-specific administrative fee, along with the cost of the countermeasure.¹⁹ Customer agencies that request additional countermeasures pay the SWA administrative fee, along with the cost of the countermeasure.

FPS security fees are transferred from customer agencies to FPS's expenditure account per interagency agreements. FPS retains all collected fees, using the basic security fee and the building-specific and SWA

¹⁵ 40 U.S.C. 586(c).

¹⁶ Department of Homeland Security Appropriations Act of 2010, Pub. L. No. 111-83, Stat. 2142, 2156 (Oct. 28, 2009).

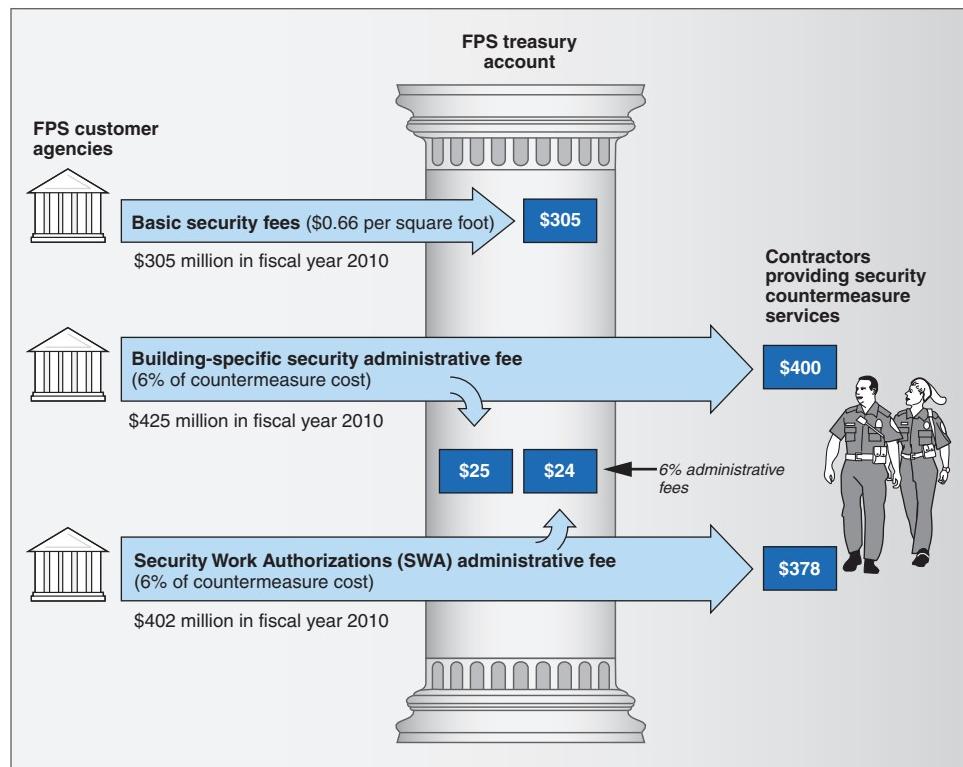
¹⁷ Offsetting collections result from businesslike transactions. The offsetting collections are recorded as offsets to spending. They are deemed offsetting when the collections are authorized by law to be credited to expenditure accounts, as in the case of FPS. See *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (September 2005).

¹⁸ See Pub. L. No. 111-83, 123 Stat. 2142, 2156 (Oct. 28, 2009); Pub. L. No. 111-329, 122 Stat. 3574, 3659 (Sept. 30, 2008); Pub. L. No. 111-161, 121 Stat. 1844, 2051 (Dec. 26, 2007); Pub. L. No. 109-295, 120 Stat. 1355, 1361 (Oct. 4, 2006).

¹⁹ 41 CFR § 102-85.35.

administrative fees to cover its operating costs. FPS passes revenue for the contract costs associated with building-specific and SWA countermeasures on to the contractors that provide security equipment or guard services. Figure 1 illustrates the flow of funding for the three fees.

Figure 1: Flow of Funding for FPS Security Fees (Dollars in Millions)



FPS's security fees do not neatly fit with a single type of fee or charge, but aspects of various guidance and criteria may apply, including GAO's User Fee Design Guide,²⁰ OMB Circular A-25, and the Chief Financial Officers (CFO) Act of 1990.²¹

²⁰ GAO, *Federal User Fees: A Design Guide*, GAO-08-386SP (Washington, D.C.: May 28, 2008).

²¹ Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), codified at, 31 U.S.C. § 902.

-
- We developed a User Fee Design Guide that examines the characteristics of user fees, and factors that contribute to a well-designed fee.²² The manner in which fees are set, collected, used, and reviewed may affect their economic efficiency, equity, revenue adequacy, and administrative burden. The design guide principles are used in evaluating fees that are charged to readily identifiable users or beneficiaries of government services beyond what is normally provided to the general public. A number of these principles can serve as good practices for FPS to consider:
 - **Efficiency:** Efficiency refers to requiring identifiable beneficiaries to pay for the costs of services, allowing user fees to simultaneously constrain demand and reveal the value that beneficiaries place on the service.
 - **Equity:** Equity refers to everyone paying his/her fair share, though the definition of fair share can have multiple facets. For example, equity could be based on the beneficiary paying for the cost of the service or equity could be based on the beneficiaries' ability to pay.
 - **Revenue adequacy:** Revenue adequacy refers to the extent to which the fee collections cover the intended share of costs. It encompasses variations in collections over time relative to the cost of the program. Revenue adequacy also incorporates the concept of revenue stability, which generally refers to the degree to which short-term fluctuations in economic activity and other factors affect the level of fee collections.
 - **Administrative burden:** Administrative burden refers to the cost of administering the fee, including the cost of collection as well as the compliance burden.
 - OMB's Circular A-25 establishes federal policy regarding user fees, including the scope and types of activities subject to user fees and the basis upon which the fees are set. It also provides guidance for executive branch agency implementation of fees and the disposition of collections. Circulars No. A-25 and No. A-11 both include guidelines to agencies when determining the amount of user charges to assess.²³
 - The CFO Act of 1990 requires an agency's CFO to review, on a biennial basis, the fees, royalties, rents, and other charges for services and things of

²² GAO-08-386SP.

²³ Agencies derive their authority to charge fees either from the Independent Offices Appropriation Act of 1952 (IOAA) or from specific statutory authority. The IOAA states that regulations prescribed by the heads of executive agencies establishing a charge for goods or services are subject to policies prescribed by the President and shall be as uniform as practicable. Circular A-25 establishes the President's policy regarding user fees.

value and make recommendations on revising those charges to reflect costs incurred.²⁴ While the CFO Act generally is applied to fees charged by government agencies to nongovernmental entities, the act's provision requiring biennial review provides a useful leading practice for intragovernmental fee review.

Lack of Informed Fee Design Contributes to Expectation Gaps with Stakeholders and Unknown Cross-Subsidizations Among Payers

FPS Does Not Have an Informed Fee Design

When FPS was a part of GSA, GSA did not charge customer agencies security fees to recover the full cost of physical security services. However, since FPS transferred to DHS in 2003, FPS has been required to recover its full costs through security fees. FPS's initial fee rates were established without a clear understanding of what FPS's total costs had been and were likely to be. As a result, FPS did not initially collect enough in fees to cover its actual costs. Despite a number of security fee increases and cost-cutting efforts in the 7 years since transferring to DHS, FPS has not conducted a fee review to develop an informed, deliberate fee design. FPS officials said they are not required to report on FPS's security fees as part of the DHS biennial fee review required by the CFO Act because FPS's fees are paid by government payers. However, the CFO Act does not specify that fees from government payers are excluded from the biennial reporting requirement. FPS officials said the annual budget formulation process and resulting budget justification serve as their fee review. Further, although FPS is required to annually certify that its collections will be sufficient to maintain a particular FTE level, in 2008 and 2010, the

²⁴ 31 U.S.C. § 902(a)(8).

years FPS certified its collections, it did not provide detail about the operations or activity costs.²⁵

Currently, FPS sets its fee rates for a given year so that its estimated total collections match the agency's estimated total operating costs. To do this FPS first estimates collections from the basic security fee and then adjusts the building-specific and SWA administrative fees as needed to bridge any difference. Specifically, (1) FPS estimates the agency's total operating costs for the upcoming fiscal year, then (2) estimates how much it will likely collect in basic security fees. FPS estimates the basic security fee collections by multiplying the current per-square foot basic security fee rate by the square footage it protected in the last quarter of the prior year. To set the building-specific and SWA administrative fee rates, FPS estimates the total cost of the contractor-provided countermeasures in the aggregate based on the prior year's cost. It then determines the percentage of the total estimated cost of the countermeasures likely to generate enough in collections to cover any difference between its estimated operating costs and its estimated basic fee collections. For example, if FPS estimates it will need \$270 million for total agency operating costs and estimates it will get \$220 million in collections from the basic security fee, FPS sets the building-specific and SWA administrative fee rates at a percentage rate of the estimated cost of countermeasures that it estimates will raise an additional \$50 million. FPS officials said the current fee-setting methodology is simple and shares FPS's costs equitably among its customer agencies in about 9,000 GSA-controlled facilities.

FPS was expected to fully cover its costs for the first time when it moved to DHS in 2003, but it did not actually do so until 2007. To cover the difference, FPS raised fee rates, requested additional funds from GSA and DHS, and imposed cost-cutting efforts (see table 1). We have previously reported that these cost-cutting efforts—which included restricted hiring and travel and limiting training and overtime had adverse effects on the agency, including effects on morale, safety, and increased attrition.²⁶

²⁵ Annually since 2007, the Secretary of Homeland Security has been required to certify to the House and Senate Appropriations Committees that FPS's operations will be fully funded in that fiscal year by its security fees. See Pub. L. No. 109-295, title II, 120 Stat. 1355, 1361 (Oct. 4, 2006). Pub. L. No. 110-161, div. E, title II, 121 Stat. 1844, 2051 (Dec. 26, 2007). Pub. L. No. 110-329, div. D, title II, 122 Stat. 3574, 3659-60 (Sept. 30, 2008). Pub. L. No. 111-83, title III, 123 Stat. 2142, 2156-7 (Oct. 28, 2009).

²⁶ GAO-08-683.

Table 1: FPS Fee Collection Shortages and Mitigating Measures, Fiscal Years 2003-2007^a

Fiscal year	Shortage amount	Measures taken
2003	\$140 million	Received funding from the FBF
2004	\$81 million	Received funding from the FBF for the last time
2005	\$70 million	Implemented a number of cost-cutting measures, and adjusted the security fees
2006	\$57 million	Continued cost-cutting measures and DHS transferred emergency supplemental funding to FPS
2007	\$0	Continued the cost-cutting measures, and adjusted the fees

Source: GAO analysis of FPS data.

^aPrior to FPS's transfer to DHS in 2003, FPS was under the umbrella of the FBF within GSA. GSA officials said they did not know how much it was charging for facility security at the time and therefore, how much of the facility security costs it was recovering. Since 2007, FPS has continued to adjust its fees as needed to cover its costs.

As shown in table 2, to cover its costs FPS has increased its fees four times from 2004 to 2009. The basic security fee alone has increased more than 100 percent—from \$0.30 cents per square foot in fiscal year 2004 to \$0.66 cents per square foot in fiscal year 2009. Further, the President's Fiscal Year 2012 Budget proposes an additional \$0.08 increase in the basic security fee to \$0.74 per square foot (see table 2). In March 2008, FPS increased the basic security fee in midyear and made the increase retroactive to the start of fiscal year 2008.²⁷ As discussed in more detail later in this report, customer agency officials we spoke with said the midyear change created serious budgeting challenges. From 2004 to 2010, FPS's building-specific and SWA administrative fees have declined from 15 percent in 2007 to 6 percent in 2010, reflecting the collections level needed (see table 2).

²⁷ Pub. L. No. 110-161, div. E, title II, 121 Stat. 1844, 2051 (Dec. 26, 2008). FPS officials said the midyear increase was necessary to fund a congressionally-mandated FTE increase.

Table 2: FPS's Security Fee Rates, Fiscal Years 2004 to 2012

Fiscal year	2004 actual	2005 actual	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	Requested 2012
Basic security fee (per sq. ft.)	\$0.30	\$0.35	\$0.35	\$0.39	\$0.62 ^a	\$0.66	\$0.66	\$0.66	\$0.74
Building-specific administrative fee (% of countermeasure cost)	13.69%	14.96%	8%	15%	8%	8%	6%	6%	6%
Security Work Authorization (SWA) administrative fee (% of countermeasure cost)	Ranged from 2 to 12% ^b	Not to exceed 8% ^b		8%	15%	8%	8%	6%	6%

Source: GAO presentation of FPS data.

^aThe basic fee was \$0.57 on October 1, 2007, but in March 2008 FPS increased the basic fee to \$0.62, which was retroactively applied to the beginning of fiscal year 2008.

^bSWA administrative fee rate was set and retained by region in fiscal year 2004 and fiscal year 2005.

We have previously reported that fee collections should be sufficient to cover the intended portion of program costs over time and that while regular, timely, and substantive fee reviews are critical for any agency, they are especially important for agencies—like FPS—that are mostly or solely fee funded in order to ensure that fee collections and operating costs remained aligned.²⁸ Without conducting a fee review to develop an informed, deliberate fee design, fee adjustments are arbitrary and are unlikely to align with actual agency costs.

FPS Describes an Alignment Between Specific Fees and Specific Activities That Does Not Exist

FPS does not know the cost of providing specific security activities to its customer agencies, although in its *Security Services and Pricing Provision*²⁹ document, FPS associates specific security activities with specific security fees—an alignment that does not exist (see table 3). That is, FPS uses security fee receipts for activities other than those it associates with a specific fee. For example, FPS charges agencies administrative fees for the management and oversight of contractor-provided countermeasures, but FPS does not know if those fees recover the management and oversight costs, nor are they specifically applied to management and oversight activities for the countermeasures. FPS's *Security Services and Pricing Provision* document was created to address stakeholder questions about what services FPS was providing. By

²⁸ GAO-08-386SP.

²⁹ FPS's *Security Services and Pricing Provision* is dated September 2007 through June 2008. However, FPS officials said the document has not been updated.

law FPS is required to charge fees that cover its total operating expenses, but it is not required to have specific fees match the cost of specific activities.³⁰ FPS officials acknowledged that customer agencies may assume a tight linkage between the fees and the services, but they noted they are not required to keep data at this level of detail.

Table 3: Activities FPS Associates with the Basic Security, Building-Specific, and SWA Security Fees

Fee	Rate	Description of associated activities
Basic security fee	\$0.66 per square foot	Law enforcement and building security assessments.
Building-specific administrative fee	6 percent of countermeasure cost	Management and oversight of countermeasures (e.g., contract guards, security equipment) specific to a particular building, recommended by FPS.
SWA administrative fee	6 percent of countermeasure cost	Management and oversight of additional countermeasures (e.g., contract guards, security equipment) requested by agency.

Source: GAO analysis of FPS data.

Although FPS is not required to use specific fee collections for specific security activities, by suggesting an alignment where none exists FPS is contributing to stakeholder confusion and potential adverse effects on building security.³¹ Officials from several customer agencies we spoke with said their agencies had procured countermeasures, such as closed circuit television systems, through private security companies or GSA rather than through FPS.³² FPS officials said that this can be problematic because services acquired externally from FPS are frequently incompatible with FPS's central monitoring system. Officials from FPS's customer agencies also described confusion or lack of clarity about the basic security and contract oversight services they receive in return for the fees they pay. A number of officials from customer agencies told us that they

³⁰ Pub. L. No. 109-295, title II, 120 Stat. 1355, 1361 (Oct. 4, 2006).

³¹ Congress has expressed interest in seeing how fees align with activities, however. In the 2007 conference report accompanying fiscal year 2007 DHS appropriations, conferees said they were concerned about the ability of some agencies', including FPS, ability to effectively align resource requirements to workload and mission needs. To address the issue, conferees included specific reporting requirements and/or realigned the funding structure of select agencies experiencing difficulty aligning resources to the mission.

³² Customer agency officials provided varying reasons for procuring countermeasures from non-FPS sources. For example, officials said they thought it was less expensive, quicker, or that they have more control over the services than going through FPS.

wanted to know the cost of FPS's services at their facilities. We have previously reported that effectively communicating with stakeholders may contribute to an improved understanding about how the fees work and what activities they fund.

FPS's current activity based costing (ABC) model cannot break out the costs of the specific FPS inspector-provided services associated with the different security fees. Officials told us that this is because an inspector may conduct multiple types of activities in a single facility visit. For example, FPS officials said that in one facility visit, a FPS inspector might conduct oversight of the contract guards and conduct an interview with an agency to inform the facility security assessment. They said they have an ABC model to help them better understand their costs but do not yet have the data on the costs of its activities to populate the model and make activity cost linkages. FPS expects new systems such as the Risk Assessment and Management Program (RAMP), when fully implemented, to provide them with more detailed cost data needed for these kinds of linkages.³³ We believe, however, that even without RAMP, FPS has data needed to reasonably estimate certain costs. For example, officials told us that they have estimates for the percentage of time inspectors spend on standard activities, such as contract oversight, that could be used to approximate a large portion of its activity costs.

FPS does not have a detailed understanding of its activity costs, including information about the cost of providing its security services at federal facilities of different risk levels, and therefore has difficulty justifying the rate of the basic security fee to its customers. The Statement of Federal Financial Accounting Standards Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, establishes standards for federal agencies to use in reporting the costs of their products, services, and activities, including providing reliable and timely information on the full cost of federal programs, their activities, and outputs.³⁴ We have found that having accurate cost information—and

³³ As of March 30, 2011, FPS did not have a final date for when RAMP will have this capability.

³⁴ Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards No. 4: Managerial Cost Accounting Standards and Concepts (July 31, 1995). Cost information can be used by Congress and federal executives in making decisions about allocating federal resources, authorizing and modifying programs, and evaluating program performance; and can also be used by program managers in making managerial decisions to improve operating economy and efficiency.

understanding the drivers of a program's cost—allows an organization to demonstrate its cost-effectiveness and productivity to stakeholders, link levels of performance with budget expenditures, provide baseline and trend data for stakeholders to compare performance, and provide a basis for focusing an organization's efforts and resources to improve its performance.

FPS has developed a workforce analysis plan that is under review by the Secretary of Homeland Security and OMB.³⁵ Officials said the model shows that for FPS to fulfill its mission would require more inspector hours than current resources would cover. Although staff is the primary cost driver for FPS, FPS officials did not tell us how the fee structure or rates would be affected.

FPS Does Not Include the Costs of Capital Improvements in Its Fee Rates, Contributing to Limited or Delayed Critical Investment in Critical Systems

According to FPS officials, FPS does not include the cost of planned systemwide capital investments when estimating its costs and setting its fee rates. As a result, FPS is unable to fund all of its capital investment priorities. Instead, FPS relies on any carryover balance to pay for the systemwide investments.³⁶ Recently, FPS officials said FPS has used its carryover balance to fund information technology investments, such as FPS's RAMP, and operational initiatives, such as overtime associated with FPS's Operation Shield Program to measure the effectiveness of FPS countermeasures. The carryover balance comes from two main sources: (1) deobligated funds from contracts for building-specific countermeasures and (2) unspent fee collections from prior years. FPS officials said that as a normal part of its contract management business process it deobligates funds from contracts when the actual building-specific countermeasure contract cost is less than the estimated costs FPS charged to customer agencies. For example, officials said if a contract guard does not report to his post for 4 hours, FPS's estimated contract cost will be higher than the actual contract cost and FPS will deobligate

³⁵ For more information see, GAO, *Homeland Security: Preliminary Observations on the Federal Protective Service's Workforce Analysis and Planning Efforts*, GAO-10-802R (Washington, D.C.: June 14, 2010).

³⁶ FPS refers to this as a carry forward balance. Carryover balance is the portion of obligational authority that has not yet been obligated. Because FPS's fees are available to it without fiscal year limitation, unobligated balances are carried forward to future fiscal years.

the unused funds.³⁷ According to FPS officials, the second source of FPS's carryover balance is collections from the basic security fee and the building-specific and SWA administrative fees that were not spent in the previous fiscal year. FPS officials told us that its carryover balance has been about \$45 million annually in recent years.

Since FPS's carryover balance is not large enough to fund all its systemwide investments, FPS officials said FPS makes investment decisions annually based on the cost of the various investments and the availability of carryover funds. As a result, FPS has had to delay certain critical systemwide capital investments.³⁸ For example, FPS officials said they have delayed investment in FPS's \$79.5 million radio program in both fiscal years 2009 and 2010, which would have provided FPS officers with radio communication capabilities in many locations across the country where it is currently unavailable. Upgrading FPS's communication infrastructure, which FPS officials described as in urgent need of replacement, is meant to address potential officer safety issues. Instead, FPS pays for maintenance on the old system, which FPS described as less effective and more expensive in the long term. As we have previously reported, it is inevitable that resource constraints will prevent some worthwhile capital investments from being undertaken. However, decisions about whether any particular capital investment is funded should reflect the priorities of the administration and Congress. Ideally, those capital investments that are funded will be ones with the highest returns or that meet the highest priority mission needs, rather than those that happen to fit the unplanned carryover.³⁹

FPS's Current Fee Structure Likely Contributes to Unknown Cross-Subsidizations

Despite evidence that customer agencies receive varying levels of basic security services and therefore do not cost the same amount to protect, FPS does not know the extent to which some customers are subsidizing the activities received by other customers. The level—and therefore the cost—of basic security services FPS provides at each of the 9,000 GSA

³⁷ Conversely, if actual contract costs are higher than estimated, FPS, not the customer agency, pays the overage.

³⁸ We have reported on leading practices for capital budgeting and planning. See GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, GAO/AIMD-99-32 (Washington, D.C.: December 1998).

³⁹ GAO, *Budget Issues: Budgeting for Federal Capital*, GAO/AIMD-97-5 (Washington, D.C.: Nov. 12, 1996).

facilities for which it is responsible varies depending on the facility's security risk level and its proximity to FPS. FPS categorizes buildings in security levels based on its assessment of the building's risk and size—but the basic security fee rate is the same for all facilities even though higher-risk facilities receive more services and cost more to protect. For example, level I facilities typically face less risk because they are generally small storefront-type operations or have limited public contact, such as a Social Security office. A level IV facility may have significant public contact and may contain high-risk law enforcement and intelligence agencies and highly sensitive government records. In some cases, there are known cost variations to providing security services. For example, ISC standards require facility security assessments—an activity associated with the basic security fee—every 5 years for lower risk level, and 3 years for higher risk level facilities. We have previously reported that in some situations FPS staff are stationed hundreds of miles from buildings under its responsibility, with many of these buildings rarely receiving services from FPS staff and relying mostly on local law enforcement agencies for law enforcement services.⁴⁰ However, these customer agencies are charged the same basic security fee rates as are buildings in major metropolitan areas where numerous FPS officers and inspectors are stationed and are available to provide security services. We have previously reported that a customer in a federally owned building in a remote location did not know that FPS provided 24-hour alarm-monitoring services, because FPS had not visited the office in over 2 years.⁴¹

In our design guide we noted that there are trade-offs involved in deciding between systemwide and user-specific fees. Effectively setting a fee rate requires determining how much a program costs and determining how to assign program costs among different users.⁴² Since systemwide fees—or fees set at an average rate—may be higher or lower than the actual costs of providing services to those users, they can lead to cross-subsidizations among users. User-specific fees—or fees based on the cost of providing the program or service from which that user benefits—ensure that each user pays for the cost of services actually used. However, there are trade-offs between user-specific and systemwide fees. We have previously reported that systemwide fees may promote a policy goal such as helping

⁴⁰ GAO-08-683.

⁴¹ GAO-09-749.

⁴² GAO-08-386SP.

to support a national system, but user-specific fees may be more desirable if the fee is seen as a way to support individual entities or locations or if there is wide variation in the cost of services among users.

FPS officials said the basic security fee and administrative fees were designed to spread costs among agencies in two ways. First, FPS officials said their mission—to ensure safety at GSA-controlled federal facilities—is a national policy goal and therefore the basic security costs are intended to be shared evenly among the facilities. FPS officials compare the basic security fee to a local property tax paid to maintain police services. Second, FPS officials said the building-specific and SWA administrative fees are designed to reflect the increased risk inherent to facilities requiring or requesting additional countermeasures and therefore the administrative fees should subsidize the aggregate cost of basic security services. As noted, facilities implementing recommended or voluntary security countermeasures pay the basic security fee, the cost of the contractor-provided countermeasures, and a 6 percent building-specific or SWA administrative fee. According to the ISC standards security level III and IV facilities have nearly all of the countermeasures and therefore also pay nearly all of FPS's building-specific and SWA fees.⁴³

FPS officials told us their intent is for the administrative fees paid by facilities with recommended or agency-requested countermeasures to help fund the basic security costs at higher-risk facilities. FPS officials said they do this because having security countermeasures reflects an increased security risk at these facilities, and as a result, these facilities are also likely to consume more of FPS's basic security services. In other words, FPS tries to collect more in building-specific and SWA administrative fees from agencies with countermeasures than it costs to manage the contracts for the countermeasures and uses the additional collections for basic security services at higher-risk facilities. However, because FPS does not know what it costs to administer these contracts, it does not know whether the administrative fees are providing the intended subsidy or are supporting basic security costs as intended. While charging some

⁴³ According to the ISC standards, the objective of the risk management process is to identify an achievable level of protection that is commensurate with—or as close as possible to—the level of risk, without exceeding the level of risk. Levels of risk determined for each undesirable event should be mitigated by countermeasures that provide a commensurate level of protection—the higher the risk, the higher the level of protection. The facility security level determination is an estimation of the level of risk at a facility. The baseline level of protection is intended to mitigate that estimated risk.

beneficiaries more or less than the actual service costs may help achieve a particular public policy goal, reliably accounting for the costs and benefits of such a provision is important to ensure that these provisions are achieving the intended results.⁴⁴

Alternate Fee Structures Could Address Concerns About Alignment and Cross-Subsidizations

Other security fee structures may address the current equity and cross-subsidizations and improve transparency to customer agencies. However, without a full fee review it is difficult to understand fully the relative trade-offs in any particular proposal. In addition, revising the funding mechanisms alone would not address the variations in service levels reported by FPS's customer agencies nor the overall level of services FPS provides at GSA-controlled facilities. Alternatives discussed in past GAO work and prior legislative proposals—which have not been acted on to date—regarding FPS's current security fee design were (1) modifying the current fully fee-funded structure to better align fees with facility risk levels and (2) funding FPS through a combination of fees and direct appropriations.⁴⁵

Modified Fee Structures. Changing the design of the basic fee to reduce cross-subsidizations could address equity concerns and increase transparency and acceptance among customer agencies. Two alternative fee structures discussed were:

- Charging customer agencies for the basic security activities based on a tiered fee system, where facilities in each tier pay fee rates based on FPS's average service costs for facilities within the respective tiers.
- Charging customer agencies using a two-part basic fee consisting of (1) a flat rate to cover fixed costs and (2) a risk-level-based fee to cover average marginal costs associated with facility security risk level.

Both alternatives aim to link more closely each customer's fee rates to average costs associated with their building risk level. We have previously reported that setting fees in this way—that is, at a rate equal to the marginal cost of providing services—maximizes economic efficiency by ensuring resources are allocated to their highest use.⁴⁶ However, in part

⁴⁴ GAO-08-386SP.

⁴⁵ GAO-08-693.

⁴⁶ Marginal cost is equal to the cost of providing an additional unit of the good or service.

because it is often difficult to measure marginal cost, fee rates are sometimes set based on average costs. When the marginal costs of providing services are measurable but are low compared to the fixed costs of the program, setting the fee at marginal cost will lead to collections less than total costs. If a review of FPS's costs comes to this conclusion, a two-part fee, where all agencies would pay a portion of fixed costs, including systemwide capital investments, plus an amount that reflected the average service costs by facility security level, could make sense.

The amount by which an agency's security costs would change under this option would depend on the security levels of the buildings in which the agency is located. Agencies that are more frequently located in facilities with higher security levels are likely to see their basic security fee rate increase, while agencies more frequently located in lower security risk level facilities may see their basic security fee decrease, stay the same, or increase at a slower rate.

In both alternatives above, revising the basic security fee to reflect the service cost variation among customer agencies would better align the fee with the costs of the services received.⁴⁷ This would help address concerns about the fee charged considering the disparity in services that agencies receive. However, the administrative cost of identifying user-specific costs may outweigh the benefits. We have previously reported that if a program has relatively few categories of users and the cost of providing the service to those groups differs significantly, then user-specific fees might be both beneficial and feasible. Conversely, if there are numerous different categories of users or there is a small cost variation among them, the efficiency gains of a user-specific fee may be overwhelmed by the added costs of administering a more complicated fee structure. Without a fee review, it is unclear which type of fee structure is most appropriate for FPS.

It is important to consider the administrative and collection costs both to the provider and to the customers when designing a fee. From the customer agency perspective, a varied fee rate system may complicate budgeting, space planning, and billing reconciliation. From FPS's perspective, a varied fee system would require detailed analysis of activity costs and incorporating a facility security level component to their billing system.

⁴⁷ This is known as the beneficiary pays principle of equity. See GAO-08-386SP.

Combination of Fees and Direct Appropriations. Proposals to fund FPS through a combination of fees and direct appropriations could also reduce cross-subsidizations and increase acceptance among customer agencies, but it would not address the disparity in the service levels among facilities that are charged similar fees. Proposals to fund FPS through direct appropriations would:

- Fund FPS's basic security activities and the administrative costs of implementing building-specific and SWA countermeasures via a direct appropriation to FPS and charge agencies only for cost of the actual countermeasures.

FPS officials said a funding model that includes a direct appropriation to FPS should provide appropriated funds for all of the agency's fixed costs since it is difficult for FPS to predict agency demand for voluntary services such as additional countermeasures. Because the majority of FPS's costs are salary related and must be paid whether or not agencies "purchase" voluntary services such as SWAs or building-specific security countermeasures in the amounts for which FPS planned, FPS officials said funding all of FPS's FTEs with appropriations would reduce concerns about revenue adequacy. Receiving an appropriation for their fixed costs would not eliminate the need for FPS to develop an informed budget request based on estimated agency needs. Although security-related missions, like FPS's, may be less vulnerable to budget cuts, it is important to note that discretionary appropriation decisions are generally made annually and should not be assumed to remain at a constant funding level—especially in the current fiscal environment.

Any model that shifts some FPS funding from fees to direct appropriations must be viewed through the lens of the overall federal budget. If Congress desires to keep the total federal investment in facility security at current levels, a direct appropriation to FPS would mean either (1) an increase in the homeland security appropriations subcommittee budget allocation and a corresponding decrease in the allocations for the appropriations subcommittees responsible for FPS's customer agencies or (2) shifting priorities within the homeland security committee's current budget

allocation and providing resources to FPS in lieu of other homeland security activities.⁴⁸

Funding FPS with direct appropriations may result in a decline in interagency payment processing costs. FPS officials said they pay the ICE's Burlington Finance Center about \$3.1 million annually to support FPS's billing process. Officials said the finance center does about 80 percent of the actual processing for FPS transactions. A direct appropriation to FPS would mean fewer transactions between FPS and customer agencies since only facilities with recommended or requested countermeasures would make payments to FPS. Officials said that if it received a direct appropriation, FPS's overall budget could be reduced by the amount it currently spends on the administrative costs associated with collecting fees.

Funding all or some of FPS's activities with a direct appropriation may also increase demand for FPS services. That is, when beneficiaries do not pay for the cost of services they may seek more of the service than is economically efficient.⁴⁹ If FPS were to receive direct appropriations based on its current costs, the amount would not cover security costs for agencies that currently procure security services external from FPS if they decide to request them from FPS. Based on our updated work, any analysis meant to inform decisions about the type of funding model that would best meet FPS's needs would be incomplete without discussing the types of funding models discussed in this report—specifically, both (1) alternative fee structures and (2) a combination of fees and appropriations.

In 2008 we recommended that FPS evaluate whether its current use of a fee-based system or an alternative funding mechanism is the most appropriate manner to fund the agency, and although DHS concurred with the recommendation, FPS has not begun such an analysis.⁵⁰ When we

⁴⁸ The budget resolution sets a cap, called a 302a allocation, on total appropriations for the Appropriations Committees. In turn, the Appropriations Committees provide caps, or 302b allocations, to their subcommittees. If a subcommittee were to exceed its 302b allocation, another subcommittee would have to allocate less. The section 302 allocations refer to relevant sections of the Congressional Budget and Impoundment Control Act of 1974. 2 U.S.C. §633.

⁴⁹ GAO-08-386SP.

⁵⁰ GAO-08-683.

asked whether FPS had considered the benefits and challenges of other fee designs, FPS officials said that there were probably other fee designs that could recover all of FPS's costs. However, they said that they find the current fee structure to be simple, straightforward, and efficient, and they are not convinced that they can improve equity among payers within the current structure. FPS officials said that having specific options for them to consider—such as the ones discussed above—would help them complete this type of analysis.

Poor Communication with Customer Agencies About the Fees and a Lack of Timely Fee Rate Information Leads to Billing and Budgeting Challenges for Both FPS and Customer Agencies

FPS Lacks Points of Contact for Budget and Billing Purposes

FPS and customer agencies identified two key issues that lead to billing and budgeting challenges. First, FPS lacks points of contact in its customer agencies for budgeting and billing purposes, which leads to difficulties and delays in resolving billing discrepancies. Second, FPS and customer agencies described a lack of timely, reliable information available for the budget formulation process. This makes it difficult for agencies to, for example, timely implement security countermeasures meant to address current and emerging security threats. Although there are no obvious solutions for many of the budget timing disconnects described below, alternative budget account structures could help mitigate these challenges without compromising accountability.

FPS communicates with customer agencies regarding its security fees through annual fee rate letters, regional conferences, and Facility Security Committee meetings; nevertheless, FPS reported difficulties determining the correct customer agency points of contact for the fees. Not all customer agencies we spoke with budget and pay for their FPS security fees centrally. Rather, headquarters and regional offices have shared responsibility for managing FPS security services and fees, making it difficult for FPS officials to find the appropriate officials with whom to discuss security charges and billing issues. FPS officials in one region said they did not have a complete list of all appropriate customer agency contacts that budget for FPS security fees or pay FPS security bills, who may work in different agency offices. In a different region FPS officials said they have trouble identifying their target audience and stakeholders at

customer agencies.⁵¹ Because officials in security offices and in budget or finance offices have responsibilities regarding FPS services and fees, the officials involved in determining which services the agency purchases from FPS may be different than the officials that budget for FPS security fees or pay FPS security bills. Determining the correct points of contacts can be so confusing that even customer agency officials themselves reported difficulties in getting information about FPS services and fees from their own agencies.

The confusion goes both ways, as customer agency officials at times also find it difficult to identify appropriate points of contact in FPS, even though FPS includes a point of contact on its security bills. For example, CDC officials said that communicating with FPS about billing issues is a constant challenge because CDC handles billing in CDC headquarters but FPS determines customer agencies' security costs and coordinates with customer agency officials at the regional level. FPS has a different point of contact for each of its 11 regions and sometimes multiple contacts within a region. CDC officials said that FPS points of contact vary by facility so they often do not know whom to contact at FPS with billing questions. GSA officials said that the FPS staff with whom they work are not always responsive to problems, which GSA attributed to large workloads.

Some customer agency officials are confused about the roles of GSA and FPS regarding security fees. GSA officials said that some customer agencies continue to contact GSA with questions about FPS security bills even though FPS transferred out of GSA in 2003.⁵² FPS officials in one region also said that customer agencies confuse the roles of FPS and GSA and they sometimes receive questions from customer agencies on GSA rent charges and services. FPS officials in another region also said bills can be confusing to customer agency officials because FPS basic and building-specific security bills are displayed with GSA rent bills on GSA's Rent on the Web system.⁵³ Complicating matters, FPS officials explained

⁵¹ We previously reported that FPS does not have complete and accurate security points of contact for the customers in GSA facilities who are responsible for working with FPS and recommended that FPS collect and maintain an accurate and comprehensive list of all facility designated points of contact, as well as a system for regularly updating the list. FPS has not yet implemented this recommendation. [GAO-09-749](#).

⁵² Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (Nov. 25, 2002).

⁵³ GSA officials said FPS's security bills are posted on Rent on the Web at the request of FPS because FPS does not have a system to post security bills.

that FPS refers agencies to GSA for questions on square footage data because FPS bills for the basic security fee based on square footage from GSA's STAR inventory system. FPS and GSA officials said their agencies need to better educate customers on the different roles of FPS and GSA in the billing process.

Effectively communicating with stakeholders involves sharing relevant analysis and information as well as providing opportunities for stakeholder input; agencies that do not communicate effectively with stakeholders miss opportunities for meaningful feedback that could affect the outcome of changes in fees and program implementation.⁵⁴ We found that the quality and quantity of FPS's communication with stakeholders varies by region. Officials in some FPS regions said they typically wait for client agencies to ask questions about the fees rather than taking the initiative to push information out to them. In other regions there is a greater focus on outreach efforts. For example, in 2009 and 2010 FPS-National Capital Region (NCR) invited their security points of contact to an annual security summit to discuss a range of issues, including fees. Although not all customer agency budget and management officials were aware of the summits, those that did attend generally found it helpful. For example, SSA officials who work with FPS security fees said several of their officials attended the NCR security summit last year and found it useful. They said FPS explained its procedures, and attendees were able to ask questions. At FEMA in the NCR, a security official participated in the summit for 2 years and found it to be beneficial. However, FEMA budget officials who manage security fees were not informed by either FEMA's security officials or by FPS of the summit.

Similarly, although FPS provides an annual letter to customer agency heads and CFOs regarding fee rates for the upcoming fiscal year, in some customer agencies the rates were not communicated to the agency officials who are responsible for budgeting. While customer agencies are responsible for communicating FPS fee rates within their agency, when all the necessary officials do not receive information on FPS security fees, it creates implementation challenges for both FPS and the customer agencies. We have previously reported that agencies providing services can segment their customers into groups and provide targeted

⁵⁴ GAO-08-386SP and *Federal User Fees: Key Aspects of International Air Passenger Inspection Fees Should Be Addressed Regardless of Whether Fees Are Consolidated*, GAO-07-1131 (Washington, D.C.: Sept. 24, 2007).

communication or services to better meet customer needs.⁵⁵ When FPS's communication efforts do not reach all of the customer agency officials working with FPS security fees, important information on rates and procedures are missed, contributing to operational challenges, such as overbilling issues, discussed below. FPS has taken steps to improve communication with customer agencies at the regional level. FPS officials in two regions said FPS has made efforts to educate all FPS employees on the security fee rates and the services they cover, so FPS can address customer agency questions at all levels of the organization and provide accurate information to its customers. They said these efforts have reduced the number of questions on their fees from customer agencies.

In some cases, confusion regarding FPS contacts can lead to significant challenges in resolving billing issues. For example, in 2008 FDA officials said FPS overbilled FDA \$2.1 million because FPS billed for the same service in both an SWA and the building-specific charge. FDA officials said it was difficult to locate the appropriate point of contact and they had to communicate with FPS multiple times over 6 months to resolve the issue. In another example, HHS headquarters officials discovered a \$100,000 error in their bill for one facility. FPS had billed HHS as if it was the sole tenant in the building because another tenant had vacated.⁵⁶ HHS officials said it took several months to resolve the problem because they found it difficult to identify someone at FPS who understood the problem and could issue them a credit. When we spoke with FPS officials about these issues they told us that it can take 3 to 6 months to credit customer agencies when they are overbilled because FPS performs an audit of the account that covers several years and FPS and the customer agency need to agree on the amount to be credited to the agency. FPS officials also said they process refunds once a month. Unresolved billing issues lead to customer agency funds being tied up and not available for other activities. In times of fiscal constraint this can be especially challenging. Unresolved billing issues also lead to wasted customer agency resources in the form of the time spent to resolve the issue and create bad will. FPS has procedures in place to prevent under- or overbilling customer agencies. FPS NCR officials said FPS performs a reconciliation process each month to check for billing errors as well as a monthly post-by-post report card that reports

⁵⁵ GAO, *Managing for Results: Opportunities to Strengthen Agencies' Customer Service Efforts*, [GAO-11-44](#) (Washington, D.C.: Oct. 27, 2010).

⁵⁶ Costs for vacant space are not absorbed by the remaining tenants in a building; rather, GSA pays for these costs.

which contract guard posts are paid by building-specific charges and which are tenant-specific charges.

FPS Does Not Have a Practical Way to Provide Rate Information to Customers in Time to Inform Agency Budget Formulation

FPS does not have a process to calculate security fee rates prior to submitting its budget to OMB and therefore does not have timely information to provide to customer agencies to inform their budget formulation process. As a result, customer agencies' annual budget submissions to OMB include security funding requests that are not based on accurate security cost estimates. OMB Circular No. A-11 states that where possible agencies should include the full cost of a program and cover all programs and activities in their budget submissions. In the past, FPS has provided estimates of security fee rates to customer agencies approximately 9 months after agency budget requests are submitted. For example, in the fiscal year 2011 budget cycle, agencies submitted their budget requests to OMB in September 2009 and FPS provided fee rates in July 2010 (after the budget had gone to Congress). This is because FPS is on the same budget cycle as its customer agencies.

FPS officials said FPS is working to improve its process to notify customers of fee rates and security costs. In his fiscal year 2012 budget the President proposed increasing the basic security fee to \$0.74 per square foot. This is the first time FPS has provided its fee rate for the upcoming fiscal year in its congressional justification of estimates. FPS officials said they included the proposed fee rate to allow as much time as possible for agencies to plan for resources for security fees. While FPS did provide more notice about a potential fee rate change than in the past, federal agencies all submit their fiscal year 2012 budget requests to OMB at the same time. The proposed fee increase is available to Congress for the appropriations cycle, so Congress does have the opportunity to consider FPS's proposed fee rate increase at the same time that it considers appropriations for FPS's customer agencies.

FPS Cannot Finalize Its Fee Rates Until Its Appropriation Is Enacted

While FPS can indicate a fee increase in its budget documents, it cannot finalize its fee rates for a given fiscal year until DHS's appropriation is enacted. This is because FTEs are the largest driver of FPS's cost and the DHS Appropriations Act specifies the FTE level at which FPS must operate. According to FPS officials, if requirements in the DHS Appropriations Act require more resources than FPS estimated, FPS may need to increase its fee rates midyear. For example, in March 2008—halfway through the fiscal year—FPS increased its basic security fee to

\$0.62 to fund increased FTE levels in the fiscal year 2008 DHS Appropriations Act.

Mandated changes to FPS's FTE levels also challenge FPS's ability to provide accurate fee rate information to its customer agencies in a timely manner. Officials said FPS may have to increase its fee rates in the middle of fiscal year 2011 because the proposed Senate bill for the fiscal year 2011 Homeland Security Appropriation⁵⁷ included a requirement for FPS to increase FPS's minimum FTEs to 1,348, or 148 FTEs greater than the current required level on which FPS's budget estimates were based. However, under FPS's final fiscal year 2011 appropriation, FTE levels were set at 1,250, which is 50 more than the level on which FPS's budget estimates were based. Such changes are not unusual. For example, during the 111th Congress (2009-2010) two other bills were introduced that would have required FPS to increase its FTE level. The proposed Federal Protective Service Improvement and Accountability Act of 2010⁵⁸ included a provision to increase FPS's FTEs to 1,350, while the proposed Supporting Employee Competency and Updating Readiness Enhancements (SECURE) for Facilities Act of 2010⁵⁹ included a provision to increase FPS's FTEs by 350 over a 4-year period.

Unexpected changes in FPS security fees require customer agencies to make unplanned trade-offs during the fiscal year. Because customer agencies do not have FPS security fee estimates in time for budget formulation, they create their own "rules of thumb," which vary by agency. Officials from one agency with whom we met said it budgets for a 2-3 percent increase in security fees, while officials from a different agency said they budget for a 7 percent increase. In the past, customer agency rules of thumb might not have provided enough room to cover fee increases in those fiscal years with large increases in fee rates. Since 2004, the increase in the basic security fee rate has varied from 0 to almost 60 percent (see table 4). We have previously found that changes in FPS's security fees—specifically notifications about rate increases late in the federal budget cycle⁶⁰—have adverse implications for customer agencies; our current work confirms this is still an issue. While fee rate increases are

⁵⁷ Department of Homeland Security Appropriations Act. S. 3607, 111th Cong. (2010).

⁵⁸ H.R. 6122, 111th Cong. (2010).

⁵⁹ S. 3806, 111th Cong. (2010).

⁶⁰ GAO-08-683.

relatively small compared to an agency's overall appropriation, they can significantly affect an agency's security budget. When faced with unanticipated fee increases, customer agencies described unplanned trade-offs they make. FEMA officials said they do not cut back on security services at any of their facilities. They ask the budget office to allocate more funds to their area; if they are not successful they decrease security funding in other areas, such as employee background investigations or fingerprinting.

Table 4: Annual Percent Change in FPS Basic Security Fee Rate

Fiscal year	2004	2005	2006	2007	2008	2009	2010	2011	Proposed 2012
Basic security fee rate	\$0.30	\$0.35	\$0.35	\$0.39	\$0.62	\$0.66	\$0.66	\$0.66	\$0.74
Percent change from previous year	N/A	16.67%	0.00%	11.43%	58.97%	6.45%	0.00%	0.00%	9.09%

Source: GAO analysis of FPS information.

Customer Agencies Do Not Have Timely Information to Inform Budgeting for Current and Emerging Security Threats

Customer agencies face challenges in funding recommended building-specific countermeasures; that is, measures that are meant to address current and emerging security threats. FPS officials said that the recommendations in its facility security assessments are made in response to security risks present at the time the assessment is made. These costs, FPS officials told us, can change quickly and unexpectedly depending on external risks in the environment. Given the budget cycle, however, there is an inherent mismatch in timing. The budget formulation process for any given fiscal year begins 2 years prior to the start of that fiscal year. As a result, to respond timely to current threats, customer agencies must reallocate funds to countermeasures for which they did not and could not plan. For example, officials from a facility security committee in Atlanta said they did not implement a FPS recommendation for security bollards around the perimeter of the building because of budget timing issues. This timing issue is not new. In 2009 we reported that the timing of the assessment process may be inconsistent with customer agencies' budget cycles.⁶¹ Similarly, in 2008 we reported on instances in which

⁶¹ Other reasons we previously reported customer agencies may not approve FPS security equipment countermeasure recommendations include: (1) customer agencies may not have the security expertise needed to make risk-based decisions, (2) consensus may be difficult to build among multiple customer agencies, (3) customer agencies may find the associated costs prohibitive, and (4) customer agencies may lack a complete understanding of why recommended countermeasures are necessary because they do not receive facility security assessments in their entirety. GAO, *Homeland Security: Greater Attention to Key Practices Would Improve the Federal Protective Service's Approach to Facility Protection*, GAO-10-142 (Washington, D.C.: Oct. 23, 2009).

recommended security countermeasures were not implemented at some of the buildings we visited because facility security committee members were unable to get a funding commitment from their agencies, among other reasons.⁶²

Alternative Account Structures Could Provide Needed Flexibility to Help Mitigate Budgeting Challenges for FPS and Customer Agencies

There is no obvious solution for the federal budget timing disconnects described above, but in our prior work reviewing fee-funded agencies, we have identified various budget account structures that could help mitigate budgeting and timing challenges for FPS and customer agencies without compromising accountability for federal funds.

- **A no-year reimbursable appropriation.** If FPS were to receive a no-year reimbursable appropriation account, FPS would receive a direct annual appropriation based on its estimated total collections that FPS would later reimburse with its fee collections.⁶³ If Congress increased FPS's FTEs in a given current fiscal year, thereby increasing costs, FPS would be able to draw on its direct appropriation to cover the resulting cost increase. It could then inform customer agencies of a fee rate increase in time for them to build the additional cost into their budget requests for the next fiscal year. FPS would then reimburse its appropriation account with its future fee collections from its customer agencies. The Customs and Border Protection (CBP) uses a reimbursable account to mitigate funding issues caused by the timing of certain fee collections. To help manage cash flow issues caused by quarterly, rather than more frequent, fee collections, CBP initially uses appropriations to "front" the cost of the agriculture quarantine and immigration inspections and then reimburses its appropriation account from the immigration and agriculture user fees collected throughout the year.⁶⁴,⁶⁵
- **An intragovernmental revolving fund account.** An intragovernmental revolving fund is an appropriation account

⁶² GAO-08-683.

⁶³ See *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (September 2005).

⁶⁴ GAO-07-1131.

⁶⁵ Such a strategy would limit the amount of budget authority available to FPS but it should be noted that, as with any direct appropriation, the choice to make budget authority available to FPS means that Congress has less budget authority available for other programs.

authorized to be credited with collections, including both reimbursements and advances, from other federal agencies' accounts to finance a cycle of businesslike operations.⁶⁶ For example, GSA's real property activities are financed through the FBF—a revolving fund that includes rent federal agencies pay for GSA space.⁶⁷ With respect to structural improvements, GSA can provide agencies with the option to delay payments on amortized costs to allow agencies time to build the costs into their budgets by fronting the costs from its FBF. A similar approach could provide FPS with greater ability to assist agencies with obtaining building-specific countermeasures.

FPS already enjoys access to its fee collections without fiscal year limitation so a no-year reimbursable account or a revolving fund would not create accountability concerns in that respect. These types of accounts would, however, provide FPS with the ability to “front” a fee rate increase and reduce the pressure of unanticipated fee rate increases on its customers. In addition, the transparency of any fee increase resulting from changes would facilitate congressional oversight both of FPS and of the cost of security at various agencies and buildings.

FPS might also benefit from considering ways other agencies have found to provide cost information to customer agencies in a more timely manner:

- **An approved fee-setting methodology.** An approved methodology by which to set fees could allow FPS to set its fee rates in advance of receiving requirements in its appropriation and therefore better align with the budget formulation needs of its federal customers. For example, GSA officials told us that having an approved methodology to calculate rent estimates allows GSA to provide them to customer agencies in time to inform budget formulation. FPS officials said that FPS would need new statutory authority to take this approach.
- **Estimates of future security costs.** FPS's customer agencies do not receive timely estimates of future costs, impairing agencies' ability to budget for those costs. FPS has data that could help FPS's customer agencies with this issue. For example, if customer agencies received high-level estimates for countermeasure costs—which could be based on known costs associated with recommended building-specific

⁶⁶ GAO-05-734SP.

⁶⁷ GAO, *Federal Energy Management: GSA's Recovery Act Program Is on Track, but Opportunities Exist to Improve Transparency, Performance Criteria, and Risk Management*, GAO-10-630 (Washington, D.C.: June 16, 2010).

countermeasures—they could better develop budget estimates for unknown future costs. Such information could also help inform congressional debate about budget priorities and trade-offs. For example, the Federal Emergency Management Administration (FEMA) revised its methodology for estimating the cost of disaster response after we reported that (1) when FEMA excludes costs from catastrophic disasters in annual funding estimates it prevents decision makers from receiving a comprehensive view of overall funding claims and trade-offs, and (2) that especially given the tight resource constraints facing our nation, annual budget requests for disaster relief may be improved by including known costs from previous disasters and some costs associated with catastrophic disasters.⁶⁸

Conclusions

FPS is responsible for protecting some of the nation's most critical facilities and the people who work in and access these locations every day. Analyzing and understanding the costs of providing these important security services, including the costs of systemwide capital investments, are important so that FPS, customer agencies, and Congress have the best possible information available to them when designing, reviewing, and overseeing FPS's fees and operations. Regular, timely, and substantive fee reviews are critical for any agency, but especially for agencies—like FPS—that are mostly or solely fee funded in order to ensure that fee collections and operating costs remain aligned. FPS has broad authority to design its security fees, but the current fee structure has consistently resulted in total collection amounts less than agency costs, is not well understood or accepted by customer agencies, and continues to be a topic of congressional interest and inquiry. In 2008 we recommended FPS evaluate whether its use of a fee-based system or an alternative funding mechanism is the most appropriate manner to fund the agency. Although FPS agreed with this recommendation it has not begun such an analysis. Based on our updated work, we believe that such an analysis can benefit from the examination of both (1) alternative fee structures and (2) a combination of fees and appropriations. Considering the various options in this report—a redesigned fee structure and funding FPS through a combination of fees and direct appropriations—can help guide FPS's analysis and Congress's consideration of the trade-offs among a variety of funding mechanisms.

⁶⁸ GAO, *Disaster Cost Estimates: FEMA Can Improve Its Learning from Past Experience and Management of Disaster-Related Resources*, GAO-08-301 (Washington, D.C.: Feb. 22, 2008).

The success of any fee design depends on complete, reliable, timely information on which to base decisions and on informed trade-offs that support program goals. Whenever the formulas for assigning costs to customer agencies change there will be winners and losers. Whether and how to change FPS's funding structure—either to develop an alternate fee structure or a model that includes some amount of direct appropriations—is largely a policy decision. However, without a better understanding of the costs of FPS's services, changes to FPS's funding model are unlikely to address FPS's chronic funding gaps or the equity concerns and skepticism of FPS's stakeholders.

Further, our analysis shows that in implementing the fee program on a day-to-day basis, FPS and customer agencies encounter challenges that are handled by budget and billing officials as well as security officials. We have previously recommended that FPS collect and maintain a list of facility designated points of contact for security issues. Unless FPS also creates a complete and accurate list of security fee budget and billing contacts in its customer agencies, FPS and its customers will continue to face budget and billing-related challenges, and the opportunity costs associated with delays in returning appropriated funds to customer agencies will persist.

Ideally, security decisions at federal facilities are based on real-time information about current and emerging threats. However, federal agencies budget for planned needs—including security needs—about 2 years before the start of each fiscal year. While there is no easy solution for the mismatch in timing between FPS security costs and the federal budget formulation process, options such as different account structures and improved fee estimating procedures could help mitigate these challenges without compromising accountability over federal funds.

Recommendations for Executive Action

The Secretary of Homeland Security should direct the Director of the Federal Protective Service to take the following six actions:

- conduct regular reviews of FPS's security fees and use this information to inform its fee setting;
- include systemwide capital investments when estimating costs and include them when setting basic security fee rates;
- make information on the estimated costs of key activities as well as the basis for these cost estimates readily available to affected parties to improve the transparency and credibility—and hence the acceptance by stakeholders—of the process for setting and using the fees;

-
- in implementing our previous recommendation to evaluate the current fee structure and determine a method for incorporating facility risk, assess and report to Congress on:
 - the current and alternative fee structures, to include the options and trade-offs discussed in this report, and if appropriate,
 - options to fund FPS through a combination of fees and direct appropriations, to include the options and trade-offs discussed in this report;
 - evaluate and report to Congress on options to mitigate challenges agencies face in budgeting for FPS security costs, such as:
 - an alternative account structure for FPS to increase flexibility, while retaining or improving accountability and transparency or
 - an approved process for estimating fee rates; and
 - work with customer agencies to collect and maintain an accurate list of points of contact of customer agency officials responsible for budget and billing activities as well as facility designated points of contact as we previously recommended.

Agency Comments & Our Evaluation

We provided a draft of this report to the Secretary of Homeland Security and the Administrator of the General Services Administration for review. The General Services Administration had no comments on the report. DHS provided written comments that are reprinted in appendix II. We also provided portions of the report to the four FPS customer agencies with which we met.

In its written comments, the Director of DHS's GAO/Office Inspector General Liaison Office concurred with our recommendations and provided information about steps DHS is taking to address each recommendation. In responding to our recommendation that the Federal Protective Service report to Congress on the current and alternative fee structures, to include the options and trade-offs discussed in this report, DHS said that it has reviewed the current and alternative methods to calculate basic security fees in addition to reviewing alternative funding structures and will use that analysis as a baseline in developing its alternative analysis.

Throughout the course of our audit work we asked FPS to provide us with any reviews of current and alternative funding structures it had conducted; FPS did not provide any evidence of having conducted this type of analysis. As noted in our report, FPS officials told us that it has not begun such an analysis. When we asked whether FPS had considered the benefits and challenges of other fee designs, FPS officials said that having specific options for them to consider—such as the ones discussed in this report—would help them with this type of analysis.

We are sending copies of this report to the Secretary of the Department of Homeland Security, the Directors of the Federal Protective Service and the Office of Management and Budget, and the Administrator of the General Services Administration. We are also sending copies to appropriate congressional committees, and to the Chairmen and Ranking Members of other Senate and House committees and subcommittees that have appropriation, authorization, and oversight responsibilities for FPS. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions or wish to discuss the material in this report further, please contact me at (202) 512-6806 or irvings@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff making key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Susan J. Irving". The signature is fluid and cursive, with "Susan" on top and "J. Irving" below it.

Susan J. Irving
Director for Federal Budget Analysis
Strategic Issues

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to (1) analyze the Federal Protective Service's (FPS) current fee design and proposed alternatives, and (2) examine how FPS's security fees challenge FPS and customer agency budget formulation and execution. To meet these objectives, we reviewed legislation and guidance, agency documents, and literature on user fee design and implementation characteristics. We also interviewed officials responsible for managing user fees at FPS, General Services Administration (GSA), and selected customer agencies at their headquarters and in several regional locations.

We selected four of FPS's customer agencies and four regional locations to illustrate how FPS's security charges benefit and challenge customer agencies. We selected customer agencies with a large representation in GSA's facility inventory (measured by total rental square footage and total annual rent) and based on prior GAO work on FPS. From these agencies we selected: the Department of Health and Human Services, Internal Revenue Service, Social Security Administration, and the Department of Homeland Security. We selected the regional locations based on (1) a range of region size (number of FPS-protected buildings), (2) geographic diversity, and (3) stakeholder input on successes and challenges faced by regional management. As a result, we selected the following FPS regions for site visits: National Capital Region (Washington, D.C.), Southeast Region (Atlanta, Ga.), Rocky Mountain Region (Denver, Colo.), and Northwest/Arctic Region (Federal Way/Seattle, Wash.). We interviewed FPS, GSA, and customer agency officials who are familiar with FPS security fees at both headquarters and in our selected regions.

We conducted this performance audit from May 2009 through April 2011, in accordance with generally accepted government auditing standards.¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ During this time we discussed information related to FPS's fiscal year 2010 and 2011 budgets with the committee. We also suspended work on this engagement for 6 months, as agreed with you, due to competing priorities.

Appendix II: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

May 12, 2011

Ms. Susan Irving
Director, Federal Budget Analysis
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Irving:

Re: GAO-11-492, Draft Report, *Budget Issues: Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security*

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report. The GAO evaluated the Federal Protective Service's (FPS's) resource levels. As directed by Congress, GAO analyzed FPS's fee design and proposed alternatives and how security fees impact FPS and customer agency budget formulation and execution.

As described in the draft report, there is work to be done, but the Department is pleased to note the report's positive acknowledgement of the recent actions taken that include the development of the Risk Assessment and Management Program and the formulation of the workforce analysis plan, currently under review by the Secretary of Homeland Security and the Office of Management and Budget (OMB).

Technical and sensitivity comments on the draft report have been provided under separate cover. Following are our detailed responses to the six recommendations made by GAO.

"The Secretary of Homeland Security should direct the Director of the Federal Protective Service to take the following 6 actions:

Recommendation 1: conduct regular reviews of FPS's security fees and use this information to inform its fee setting;"

Response: Concur. As part of its overall financial management and budgetary activities, FPS is refining its fee setting processes. During the budget development process, FPS reviews the projected out-year requirements against the anticipated revenues. Changes to fees and activities are based on decisions in the budget process.

**Appendix II: Comments from the Department
of Homeland Security**

FPS acknowledges that a more robust fee model needs to be available to properly improve its fee setting. FPS is working to clarify activities that are included within each service offering (e.g., basic security, building specific, and Security Work Authorizations) to ensure all costs related to activities for each service offering are being captured and appropriately aligned to the service under which they are provided.

Recommendation 2: “include systemwide capital investments when estimating costs and include them when setting basic security fee rates;”

Response: Concur. FPS is currently developing policy and procedures for an investment review process to align with those of the Department. The FPS procedures will formalize a method for project owners/sponsors to provide justification for their projects for FPS approval, including purpose, scope, lifecycle cost, and gap(s) addressed by the investment. A formalized review and approval process will provide FPS the improved ability to estimate long-term costs resulting from investments in capital improvements.

Additionally, FPS is updating its activity-based costing (ABC) model to include updates to the rate setting structure. The updated model will calculate projected rates on the basis of expended costs and anticipated requirements.

Recommendation 3: “make information on the estimated costs of key activities as well as the basis for these costs estimates readily available to affected parties to improve the transparency and credibility - and hence the acceptance by stakeholders—of the process for setting and using the fees;”

Response: Concur. FPS is in the process of updating its ABC model to improve alignment of costs to activities and to determine the appropriateness of the administrative fee (currently 6 percent) charged to customer agencies. As part of this update, FPS is reviewing key activities and the methodology for the allocation of costs as well as identifying cost drivers and the alignment of activity costs by customer and risk level. Additional reporting requirements to address stakeholder requirements for transparency and credibility also will be included as part of the overall ABC model update requirements. This information will be standardized so that each region working with its individual stakeholders will provide the information in a common format.

Recommendation 4: “in implementing our previous recommendation to evaluate the current fee structure and determine a method for incorporating facility risk, assess and report to Congress on:

- the current and alternative fee structures, to include the options and tradeoffs discussed in this report, and if appropriate,
- options to fund FPS through a combination of fees and direct appropriations, to include the options and tradeoffs discussed in this report;”

Response: Concur. FPS has reviewed current and alternative methods to calculate basic security fees in addition to reviewing alternative funding structures. Using these initial

studies as a baseline, FPS is developing an alternatives analysis to review the advantages and disadvantages of these approaches, both directly and in combination, to better determine the impact and risk potential to FPS operations. FPS will also continue to assess and report to Congress on our evaluation of current and alternative fee structures, to include the options and tradeoffs discussed in this report.

Recommendation 5: “evaluate and report to Congress on options to mitigate challenges agencies face in budgeting for FPS security costs such as:

- an alternative account structure for FPS to increase flexibility, while retaining or improving accountability and transparency or
- an approved process for estimating fee rates.”

Response: Concur. To better serve its customers, FPS continues to evaluate alternative funding structures, subject to the approval by OMB.

Additionally, as part of the ABC model update and development of FPS-wide standard operating procedures, FPS is putting processes in place to better estimate planned requirements and forecast any corresponding fee rate changes. These updates are intended to improve the availability, reliability, and timeliness of financial reporting to support performance analysis, efficient resource use, and management decision-making. FPS will also continue to assess and report to Congress on our evaluation of current and alternative fee structures, to include the options and tradeoffs discussed in this report.

Recommendation 6: “work with customer agencies to collect and maintain an accurate list of points of contact of customer agency officials responsible for budget and billing activities as well as facility designated points of contact as we previously recommended.”

Response: Concur. FPS works to strengthen relationships with both customer agencies and the General Services Administration to ensure customer requirements are met and adequate funding is received. FPS continually works with the regional offices to ensure regular communications with customer agencies. Specifically, for the purpose of revenue collection, the Financial Management Division of FPS Headquarters maintains a list of points of contact (POCs) of customer agency officials to include either the agency Chief Financial Officer or secondary POC. Headquarters contacts these POCs annually to communicate the square footage fee. Additionally, regional offices are required to maintain facility designated POCs so that any changes that impact billings are captured accurately and timely. Within each region, Facility Security Committees (FSCs) are established for each building that contains multiple tenant agencies. FPS assigns a building inspector and Contract Officer Technical Representative (COTR) to each building, and the FSCs act as the primary liaison point through which the inspector and COTR communicate. Additionally, each FPS-generated bill contains contact information for a regional budgetary POC who customer agencies may contact for any billing-related questions or issues.

Finally, FPS Headquarters began a recruiting action for a full-time senior Public Affairs professional who would direct and supervise public information and community relations activities and support the Regional Directors nationwide. FPS initiated a separate hiring

**Appendix II: Comments from the Department
of Homeland Security**

action to identify a second highly qualified career professional communicator who will serve as the front-line supervisor for an expanded communications office within FPS headquarters.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you on future Homeland Security issues.

Sincerely,



Jim H. Crumpacker
Director
Departmental GAO/OIG Liaison Office

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Susan J. Irving, (202) 512-6806

Acknowledgments

In addition to the individual above, Jackie Nowicki, Assistant Director; Chelsa Gurkin; Lauren Gilbertson; Barbara Lancaster; Felicia Lopez; Julie Matta; and Jenny Shinn made key contributions to this report. Donna Miller provided the report's graphics.

Related GAO Products

Federal User Fees: Additional Analyses and Timely Reviews Could Improve Immigration and Naturalization User Fee Design and USCIS Operations. [GAO-09-180](#). Washington, D.C.: January 23, 2009.

Federal User Fees: A Design Guide. [GAO-08-386SP](#). Washington, D.C.: May 28, 2008.

Federal User Fees: Substantive Reviews Needed to Align Port-Related Fees with the Programs They Support. [GAO-08-321](#). Washington, D.C.: February 22, 2008.

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